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Brazilian Wine Market

Report Categories:

Wine

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Report Highlights:

The Brazilian economy is on the rise, driven in large part by high consumer demand. This is reflected in the wine market where imports have increased 94 percent over the last five years. In the past five years, the growth of U.S. wine exports to Brazil was larger than the average growth of all imported wines in containers of less than two liters. Opportunities abound for U.S. wine exports.

I) Production:

The International Organization of Vine and Wine (OIV) estimates the world total wine production at 266 million hectoliters. Brazilian production accounted for approximately 3 million hectoliters, representing 1 percent of world total production. World wine production has been relatively stable. However, Brazil has decreased production volumes from 2007 to 2009 by more than 15 percent. The decrease production is mostly due to the wide climatic variations encountered in grape producing areas of Brazil.

Grape-planted area in Brazil reached 82,584 hectares in 2009, which represents a 2 percent increase compared to the previous year. Total production reached 1.3 million tons in 2009, a decrease of 6 percent compared to 2008. A slightly decrease in yields was also observed, from 17.7kg/ha in 2008 to 17.0kg/ha in 2009.

According to the Brazilian Institute of Statistics and Geography (IBGE), in 2009, the state of Rio Grande do Sul made up 54 percent of total grape production. The remainder of grape production was concentrated in the state of São Paulo, Pernambuco, Paraná, Santa Catarina, Minas Gerais and the Vale do São Francisco region (Bahia state). Although not reported by IBGE, the states of Mato Grosso do Sul, Espírito Santo, Parana and Piaui have also been producing grapes in small quantities.

Each wine grape area has a peculiarity. The 9 degree south latitude in the Vale do São Francisco, located in the Northeast region, allows producers to harvest two to three times per year. In the south of Minas Gerais and east of São Paulo winter harvesting - also known as cycle inversion - has decreased the production of table grapes while raising the production of wine grapes such as Syrah.

WINE GRAPE PRODUCTION AREAS



Source: Brazilian Wine Institute (IBRAVIN)

The South region is the traditional wine production area in Brazil. The Uplands and Southeast mountain range of Rio Grande do Sul produce European varieties such as Cabernet Sauvignon,

Merlot, Tannat and Sauvignon Blanc. Serra Gaúcha gathers the largest vineyards and is an enology reference for the wine sector in Brazil. In 2001, new ventures emerged in the Santa Catarina uplands. Those ventures were motivated by high altitudes, which allow harvesting between May and June.

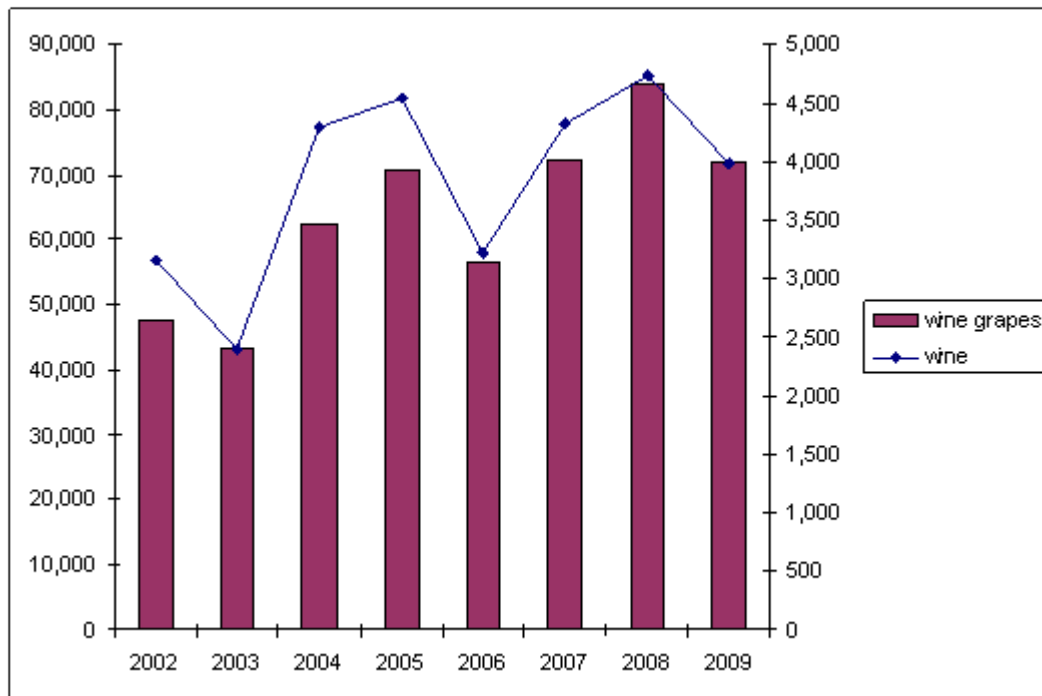
As shown in the table below the total volume of grape production in Brazil dropped to 1,345,719 tons. Production was impacted by adverse weather conditions and the reduction of vineyards due to the world economic crisis.

Brazilian Grape Production (ton)				
State	2006	2007	2008	2009
Pernambuco	155,783	170,326	162,977	158,515
Bahia	89,738	120,654	97,481	90,508
Minas Gerais	12,318	11,995	13,711	11,773
São Paulo	195,357	193,023	192,976	177,934
Paraná	95,357	99,180	101,500	102,080
Santa Catarina	47,787	54,554	58,330	67,546
Rio Grande do Sul	623,847	705,228	776,027	737,363
Brazil	1,220,187	1,354,960	1,403,002	1,345,719
Source: Brazilian Institute of Statistics and Geography (IBGE).				

According to the Brazilian Agricultural Research Center (EMBRAPA), the production of table grapes and grapes for industrial purposes has oscillated strongly in the past years. Nonetheless, the production of grapes for industrial purposes has been increasing in the past four years. While in 2006 the production of wine varieties made up 38.3 percent of total production, the share rose to 50.3 percent in 2009, totaling 678,169 ton.

Brazilian Grape Production by destination (ton)				
	2006	2007	2008	2009
Industrial purpose	470,705	637,125	708,042	678,169
<i>In Natura</i>	757,685	717,835	691,220	667,550
Source: Brazilian Agricultural Research Center (EMBRAPA).				

While IBGE and EMBRAPA data correspond to the total production of fresh grapes in the country, the Brazilian Union for Wine Production (UVIBRA) produces estimates of wine production based on the volume of grapes harvested in Rio Grande do Sul and delivered to the processing industry. According to UVIBRA, the wine varieties account for less than twenty percent of total grape production for industrial purposes. Wine production during 2002-2009 decreased almost 30 percent in 2006, against a 47 percent increase during the period of 2006 to 2008. In 2009, wine production declined 18.6 percent.



Source: Brazilian Union for Wine Production (UVIBRA)
 Note: data refers to Rio Grande do Sul state

According to the Brazilian Agricultural Research Center (EMBRAPA), Cabernet Sauvignon and Merlot varieties were the most common varieties for red wine production in 2008, accounting for 33 percent and 24 percent, respectively. Among white and rose grape production, Moscato and Chardonnay are the most accepted types of grape in Brazil. In 2008, Moscato production reached approximately 15 million tons compared to 6 million tons of Chardonnay grapes. However, as a result of the consumers' openness to new trends, the consumption of other wine types - such as Merlot, Malbec, Sauvignon Blanc and Riesling - continues to increase.

Processed red wine grapes by type (Ton)

	2005	2006	2007	2008
Cabernet Sauvignon	12,821	12,063	14,489	16,646
Merlot	10,632	8,443	11,399	11,866
Tannat	4,561	3,055	3,514	4,711
Cabernet Franc	3,869	3,285	4,081	4,008
Pinot Noir	1,704	1,161	1,270	1,930
Ancelota	861	872	1,532	1,709
Alicante Bouschet	1,076	1,078	1,775	1,588
Pinotage	1,994	996	1,113	1,578
Egiodola	1,070	899	1,265	1,366
Others	2,891	2,390	3,423	3,590
Total	41,479	34,242	43,861	48,992
Source: Brazilian Agricultural Research Center (EMBRAPA).				
Note: data refers to Rio Grande do Sul state				

Processed white and rose wine grapes by type (Ton)				
	2005	2006	2007	2008
Moscato	10,146	10,749	15,717	14,744
Chardonnay	4,441	1,830	1,752	5,829
Riesling Italico	3,496	1,902	1,961	2,699
Prosecco	789	917	910	1,931
Trebbiano	1,974	1,376	1,712	1,846
Moscato Giallo	703	777	1,173	1,122
Moscato Nazareno	922	544	616	1,035
Colombard	655	519	594	880
Sauvignon Blanc	738	606	618	609
Others	5,234	3,127	3,216	3,889
Total	29,098	22,347	28,269	34,584
Source: Brazilian Agricultural Research Center (EMBRAPA).				
Note: data refers to Rio Grande do Sul state				

II) Consumption:

A study from the Brazilian Wine Institute (IBRAVIN) reports that a large number of Brazilian wine consumers still consider drinking wine as a symbol of prestige and sophistication. However, Brazilian *per capita* consumption is still modest when compared to Italian and French levels. In Brazil, a consumer drinks 1.8 liters of wine per year while in Italy and France the volume is around 43 liters per year. Even when compared to neighboring countries, the consumption is still small. In Argentina, for instance, *per capita* wine consumption is almost 23 liters per year. Wine sales in Brazil are mainly concentrated in the South and Southeast regions. Nevertheless, wine specialists believe that sparkling wines have good consumption potential in the Northeast region due to the high temperatures throughout the year.

Despite the low *per capita* consumption, wine companies estimate that the wine sector grew 10 percent in 2009 and will increase around 18 percent in 2010, thanks to the significant growth of the Brazilian economy and favorable exchange rates. In addition, a growing number of new wine stores facilitated the entry of new brands, increasing competitiveness in the Brazilian market.

Wine consumption in Brazil underwent significant changes between 2002 and 2003 when

Argentinean and Chilean wine companies began to target their export efforts toward Brazil. Argentinean producers benefit from the Mercosul trade agreement, which exempts wines from the import tax (II). In addition, the bilateral trade agreement with Brazil has been reducing the import tax (II) of Chilean wines, which will reach tax exemption in 2011. Although price still affects Brazilian consumers' decision, such tax benefits allowed Chilean and Argentinean wines to become preferred among wines from the *New World*.

To encourage the consumption of Wines from the New World - which includes Brazilian wines - associations and producers have been investing in marketing and new technology since 2009. These marketing efforts are based on a market study from the Brazilian Wine Institute (IBRAVIN). The study states that the Brazilian consumers are attracted by authenticity and contemporary features. These consumers have demanding personalities and are up to 40 years of age. The report also states that the consumption is still low due to consumers' lack of information about wines. Marketing actions are taking place through television, radio, magazines and supermarkets, which are still the top wine sellers; Brazilian producers are investing in new technologies to improve the wine quality and attract these consumers with diverse packaging and labeling.

Nevertheless, industry sources believe that these efforts are not enough to increase wine consumption. IBRAVIN estimates that the *per capita* consumption will be 3.5 liters per year by 2030. However, the potential is much bigger when considering an estimated population of 210 million habitants in 2030, which will represent the highest level of Economically Active Population (EAP) in Brazilian history. Wine marketing specialists believe that in order to increase the consumption among the EAP, the wine sector will need more investments in marketing and technology to overcome climate issues and lack of knowledge about wines.

III) Trade:

The share of Brazilian wines is still small when compared to the share of imported wines in Brazil. As shown in the table below, imported wines are the most preferred by Brazilian consumers. In 2005, imported wines made up 60 percent of total wines commercialized, growing to almost 71 percent in 2009.

Share of Imported Wines Over the Total Number of Wines Commercialized in Brazil (1,000 liters)					
	2005	2006	2007	2008	2009
Brazilian Wines	24,843	25,085	23,130	23,120	23,019
Imported Wines	37,495	46,371	57,629	54,410	55,927
Total	62,338	71,456	80,759	77,530	78,946
Share	60.15%	64.89%	71.36%	70.18%	70.84%

Source: Brazilian Agricultural Research Center (EMBRAPA)

According to the Brazilian Trade Secretariat (SECEX), imports of wines under Harmonized Code 2204 totaled US\$196 million in 2009, a 5 percent increase compared to 2008. Total imports grew 94 percent from 2005 to 2009. In this period, the share of non-sparkling wines in containers of less than two liters (NS<2l) made up to 90 percent of total imported value. Chile and Argentina were the top exporting countries amounting to US\$ 61 million and US\$ 38 million, respectively. Both countries combined accounted for approximately 57 percent of total imports in Brazil. They are followed in rank order by *Old World* wine exporters - Portugal, Italy, France and Spain. Next in the ranking, three other *New World* countries appear in the list: Uruguay, South Africa and Australia. The United States ranked as the 10th exporting country, totaling US\$ 703,000 exports to Brazil.

Brazilian Wine Imports (Thousand Dollars)							
		2005	2006	2007	2008	2009	% Δ 2005-2009
1	Chile	25,414	36,643	47,669	50,740	61,378	141.51%
2	Argentina	21,523	25,764	36,115	37,354	38,521	78.98%
3	Portugal	14,509	18,846	23,499	23,654	23,423	61.44%
4	Italy	11,163	16,994	22,022	24,366	23,058	106.56%
5	France	5,731	10,442	14,661	16,221	16,892	194.75%
6	Spain	2,489	4,280	4,496	6,024	6,219	149.86%
7	Uruguay	924	1,439	3,132	2,089	1,943	110.28%
8	South Africa	775	1,164	1,320	1,152	1,931	149.16%
9	Australia	901	1,060	1,583	1,247	998	10.77%
10	United States	245	355	334	542	703	186.94%
11	New Zealand	224	255	417	537	302	34.82%
12	Germany	382	635	648	1,064	292	-23.56%
	Others	203	159	414	397	433	113.30%
	Total NS>2	84,483	118,036	156,310	165,387	176,093	108.44%
	All wines	100,616	139,906	175,226	185,836	196,050	94.85%
Source: Brazilian Secretariat of Foreign Trade (SECEX)							
Note: NS>2 refers to Non Sparkling Wines in Containers of Less than 2 Liters.							

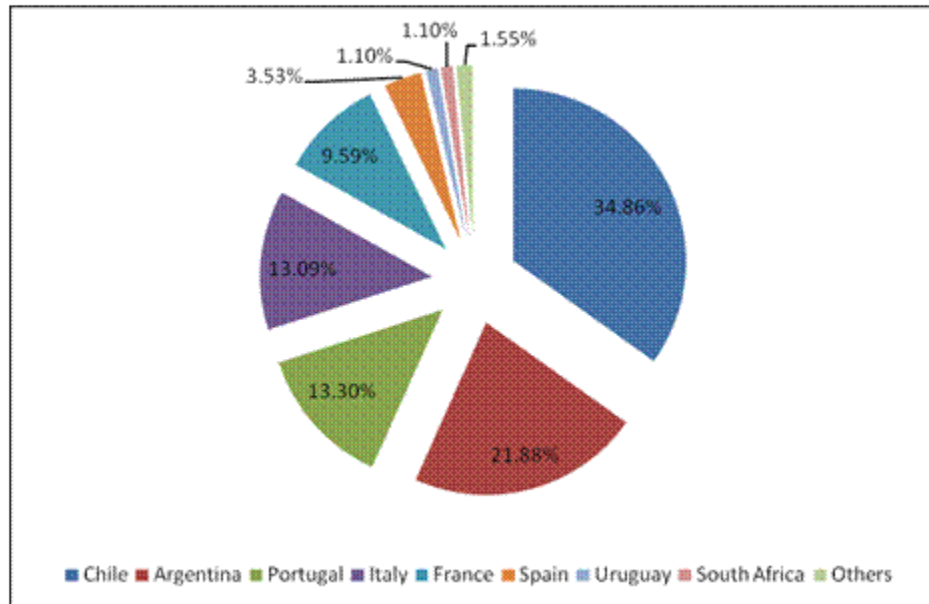
The growth of U.S. wine exports to Brazil was larger than the average growth of imported wines in containers of less than two liters. In the last five years, U.S. wine exports increased 187 percent against an average growth of 108 percent of all imported wines in the same period. In terms of market growth, France is the leading exporting country, followed by the United States.

Brazilian wine imports from January to October (Thousand Dollars)				
		2009	2010	Δ % 2009-2010
1	Chile	46,874	59,375	26.67%

2	Argentina	31,018	40,192	29.58%
3	Portugal	18,223	22,883	25.57%
4	Italy	17,037	21,753	27.68%
5	France	12,102	14,586	20.53%
6	Spain	4,745	6,873	44.85%
7	South Africa	1,616	2,905	79.76%
8	Uruguay	1,505	2,218	47.38%
9	Austrália	878	1,414	61.05%
10	United States	489	971	98.57%
11	New Zealand	196	840	328.57%
12	Germany	243	620	155.14%
	Others	370	474	28.11%
	Total NS>2	135,296	175,104	29.42%
	All wines	149,458	193,674	29.58%
Source: Brazilian Secretariat of Foreign Trade (SECEX).				
Note: NS>2 refers to Non Sparkling Wines in Containers of Less than 2 Liters.				

The statistics for 2010 corroborate the favorable economic situation. Supported by exchange rate stability, U.S. wine exports to Brazil amounted to US\$ 971,000 from January to October, an increase of 98 percent compared to the same period in 2009. This growth also represents an almost 40 percent increase over the total value exported to Brazil in 2009. Nonetheless, the growth has not raised the market share of U.S. wines in Brazil. Chile and Argentina account for almost 57 percent of market share, followed by European countries. Portugal, Italy, France and Spain have a share of 13.3 percent, 13.09 percent, 9.59 percent and 3.53 percent, respectively. All the other countries have less than 4 percent of market share. The United States has not reached the one percent threshold of total market share.

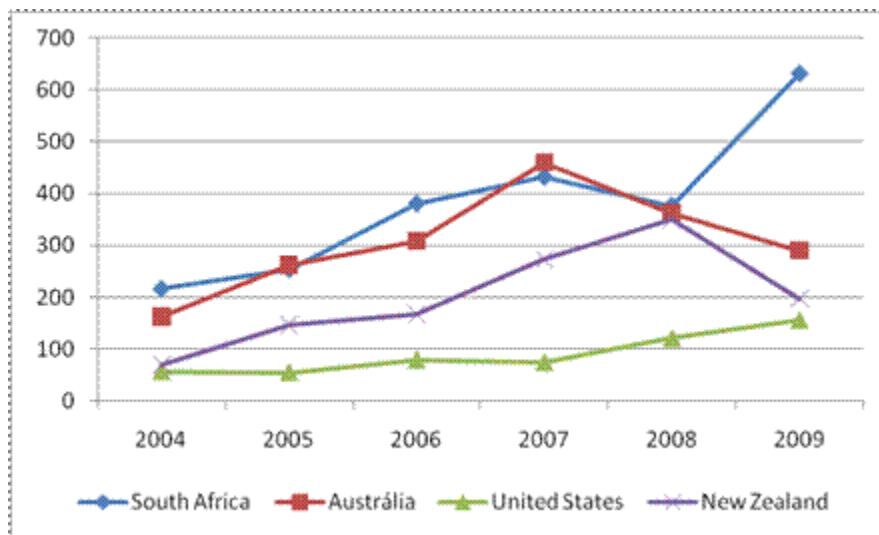
MARKET SHARE BY EXPORTER COUNTRY IN 2009 (%)



Source: Brazilian Secretariat of Foreign Trade (SECEX)

According to wine importers, not only does the exchange rate favor consumption of U.S. wine but also the increased levels of Brazilian consumers' income. As a result, consumers have more travel opportunities during which they become acquainted with *New World* wines. These consumers are open and receptive to wines from new origins and varieties. The Index Performance of *New World* wines (based on import values for 2003) illustrates how the United States can benefit from this new consumer behavior. Australia and New Zealand wines - which are direct U.S. competitors - are decreasing their advance in the Brazilian market. The United States is able to compete with these countries with the same quality and new wine grape varieties.

INDEX PERFORMANCE OF NEW WORLD WINE EXPORTS TO BRAZIL (excluding South America)



Source: Brazilian Secretariat of Foreign Trade (SECEX)

IV) Import procedures

The Secretariat of Agricultural Protection (SDA) of the Ministry of Agriculture, Livestock and Food Supply (MAPA) has the regulatory authority to enforce regulations on domestic and imported plant products and by-products. Under the Secretariat of Agricultural Protection (SDA), the Department of Plant Origin Products Inspection Service (DIPOV) is responsible for enforcing federal law regarding registration, compliance, and labeling of beverages (including distilled spirits and wine, soft drinks, and juices). In order to better assist the large volume of requests for imported wines, Ministry of Agriculture, Livestock and Food Supply (MAPA) created the General Coordination for Wines and Beverages (CGVB), which oversees wine and beverage related issues. Inspections at airports and ports are overseen by another major office called General Coordination for International Sanitary Inspection of Agriculture and Livestock (CGVIG).

Recently, MAPA changed its wine import regulations through Normative Instruction no. 54 of November 18th, 2009. The new regulation exempts wineries from registration with MAPA and also establishes new formats for the certificate of analysis and certificate of origin for aseptic fermented beverages, which includes vinegar and wines. According to Normative Instruction no. 54/2009, the certificates must follow the model presented on the ANNEX VIII of Normative Instruction no. 54/2009. Moreover, under this new procedure, MAPA also requires a list of entities eligible to issue the certificates of origin and analysis. In the past, companies have provided a document issued by Chambers of Commerce. This is no longer accepted. Currently, each foreign government has to formally notify MAPA of all entities eligible to issue the certificates. The list of eligible entities is available at MAPA's web site (<http://www.agricultura.gov.br/>).

U.S. labs or companies that are not on the list must contact the U.S. Agricultural Trade Office in Sao Paulo. In order to expedite the process, the exporter should send a copy of the certificates and complete contact information for the lab/company.

The complete import process for wines follows:

Pre-embarkation

I) Formula Study

- Required documents:
 - ✓ Quantitative product formula
 - ✓ Alcohol Content
- Procedure: The Formula Study consists of analyzing the complete composition of the product, in order to tell whether it fulfills its Identity and Quality Standards (PIQ), which are determined by specific legislation. In addition, it must be verified whether all ingredients and additives are allowed for the product category in Brazil, as well as whether it obeys maximum established limits.

II) Label development

- Required documents:
 - ✓ Quantitative product formula
 - ✓ Alcohol Content
 - ✓ Original product label.
- Procedure: The label must include, on each unit statements determined by specific legislation. In the case of a product whose label is not in the Portuguese language, an

adhesive sticker may be used, on the original label, including all the obligatory information in Portuguese.

III) Exporter's Pro Forma

- Required documents:
 - ✓ Exporter's Pro Forma
- Procedure: Once the sale of the merchandise is established between the exporter and the importer, the import operation begins. At that point, the writing up of a Pro Forma Invoice becomes necessary and the exporter must send it to the importer.

IV) Issuance of an Import License (L.I.)

- Required documents:
 - ✓ Import License
- Procedure: Once the importer accepts the Pro forma invoice, the company must consult with the Integrated Foreign Trade System (SISCOMEX), using the NCM code (equivalent to the HS code) of the product to be imported, as to whether an Import License (LI) is needed. In the case of wines, when consulting with SISCOMEX in Administrative Treatments, through the NCM, the system will indicate that the issuance of an LI with MAPA pre-approval is necessary prior to the shipment of the merchandise. This procedure may be done by the importer or by a registered agent previously authorized to use SISCOMEX in the importer's name.

Embarkation:

V) Embarkation Instructions

- Required documents:
 - ✓ Embarkation Instruction
- Procedure: In order to ship the merchandise, the importer must supply the Embarkation Instructions to the exporter. These instructions consist of a document containing all the information related to the sale and the merchandise condition upon embarkation, such as the quantity of the product, form of payment, transport temperature, packaging, pallet used, etc.

VI) Load/Shipment Clearance

- Required documents: None
- Procedure: The exporter sends the Shipping Instructions containing all the information necessary for issuance of the bill of lading.

Customs Clearance

VII) Arrival of the Merchandise at the Port

- Required documents: None
- Procedure: Upon arrival of the merchandise at the port, the load must be sent to the Customs Terminal (storage) pre-selected by the importer. Otherwise, it will be sent to the terminal at which the shipping company maintains space. Once the merchandise is duly placed, the terminal must confirm and create the presence of the cargo, which is done by informing SISCOMEX of the conditions under which the cargo was received.

VIII) Registering the Import Declaration (DI) with SISCOMEX

- Required documents: None
- Procedure: Once the LI is released by MAPA, the importer or the registered customs agent must register the DI at SISCOMEX. The DI is a document in which all information related to the import will be contained such as importer information, data on the cargo, data on the bonded storage, etc.

IX) Physical review by MAPA official

- Required documents:
 - ✓ Request for Review of Agricultural Products
 - ✓ Additional data for the request for review of agricultural products when there is more than one product per request Inspection Memorandum
 - ✓ Deposit Agreement – General Coordination for Sanitary Inspection on Agriculture and Livestock (VIGIAGRO)
 - ✓ Collecting samples agreement
 - ✓ Certificate of analysis and Certificate of Origin
 - ✓ Aging Certificate (if necessary)
 - ✓ Commercial Invoice
 - ✓ Copy of the Bill of Lading or AWB
 - ✓ LI
 - ✓ Packing list
 - ✓ Copy of the Operational License of the warehouse where the product will be stored.
- Procedure: Once the product arrives in Brazil, the customs official will verify whether it was duly authorized and if all the documents comply with the requirements.

X) Federal Revenue Parameterized Selection

- Required documents:
 - ✓ Request for Review of Agricultural Products
 - ✓
 - ✓ Additional data for the request for review of agricultural products when there is more than one product per request
 - ✓ Inspection Memorandum
 - ✓ Deposit Agreement (VIGIAGRO)
 - ✓ Collecting samples agreement

- ✓ Certificate of analysis and Certificate of Origin
 - ✓ Aging Certificate (if necessary)
 - ✓ Commercial Invoice
 - ✓ Copy of the Bill of Lading or AWB
 - ✓ LI
 - ✓ Packing list
 - ✓ Copy of the Operational License of the warehouse where the product will be stored
 - ✓ ICMS Guide collected
 - ✓ Proof Import (CI)
- Procedure: Upon registration of the DI, the process goes into Federal Revenue parameterization with SISCOMEX. The system will choose automatically on which channel the merchandise will be cleared by the Federal Revenue.

XI) MAPA Clearance to Commercialize Products

- Required documents: None
- Procedure: The beverage may only be cleared for commercialization after clearance by MAPA – control analysis - which must be done by MAPA's laboratory in Jundiai (zero cost, and takes approximately 60 days to obtain the written results) or, for those desirous of accelerating the process, it be done by a Legally-Approved Laboratory.

OBS.: for detailed information on import process, please, access Market Access Report for Wines at http://www.usdabrazil.org.br/home/pdf/rw_wine.pdf

V) Post contact and further information

Please do not hesitate to contact the offices below for questions or comments regarding this report or request assistance to export processed food products into Brazil:

U.S. Agricultural Trade Office (ATO)
 U.S. Consulate General
 Rua Henri Dunant, 700
 04709-110 Sao Paulo – SP
 Tel: (55 11) 5186-7400
 Fax: (55 11) 5186-7499
 E-mail: atosaopaulo@usda.gov
 atobrazil@usdabrazil.org.br
 Home Page: www.usdabrazil.org.br

Office of Agricultural Affairs (OAA)
 U.S. Embassy
 Av. das Nacoes, quadra 801, lote 3
 70403-900 Brasilia - DF
 Tel: (55 61) 3312-7000
 Fax: (55 61) 3312-7659
 E-mail: agbrasil@usda.gov